

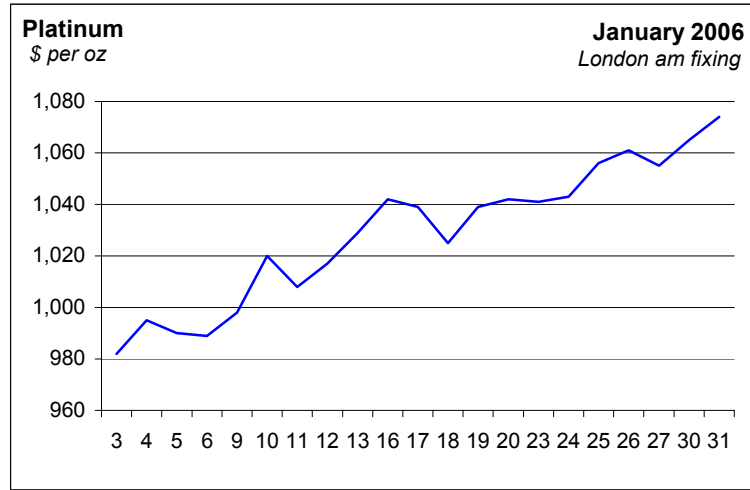
# THE PLATINUM METALS REPORT

www.platinum.matthey.com

January 2006

Johnson Matthey

**PLATINUM**  
**Price surges to**  
**all-time high of**  
**\$1,074 on**  
**speculative**  
**buying**



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**The precious metals markets experienced a sudden round of long liquidation in mid-December 2005, platinum sliding from over \$1,000 to end the year just above \$960. In January 2006, however, funds and general public investors returned to the platinum and gold markets in force. Speculative long positions on both TOCOM and NYMEX increased substantially over the course of the month, driving the platinum price up to a new record high of \$1,074. Not surprisingly, demand for the metal from end users diminished at these elevated price levels.**

After 2005's closing fix of \$964, platinum began moving higher as soon as trading resumed in Europe on the 3<sup>rd</sup> of January 2006. Offers in the region of \$974 were seen at the open and platinum fixed at \$982 in London. At the same time gold jumped from around \$520 to over \$530 during US trading. When TOCOM reopened on the 4<sup>th</sup> the December 2006 platinum contract immediately moved upwards as traders caught up with the previous day's activity. However, after fixing at \$995 that morning the price ran into resistance ahead of the \$1,000 level and slipped back on light profit-taking to \$990.

The market was quieter on the 5<sup>th</sup> and 6<sup>th</sup>, platinum softening to \$987 then edging back up to \$993. Trading on the Shanghai Gold Exchange picked up a little as jewellery manufacturers purchased metal ahead of the Chinese New Year but total volumes (100 kg and 91 kg) were uninspiring.

The upward price trend resumed the following week as more vigorous fund buying came into the gold and platinum markets. A public holiday in Japan on the 9<sup>th</sup> meant that trade during Asian hours was relatively thin but good buying interest was seen after the European markets opened; the platinum price climbed to \$998 at the morning fixing, whilst gold surged past \$540. After easing to \$996 at the afternoon fixing in London, strong buying by US-based funds succeeded in propelling the platinum price rapidly above the \$1,000 barrier, with offers reaching \$1,011 by the close.

The following day TOCOM contracts opened sharply higher as investors reacted to the overnight action and spot platinum jumped to \$1,020 at the morning fixing. The 11<sup>th</sup> saw platinum ease back to \$1,008 in thin trade but the rally continued on the 12<sup>th</sup> as speculative



buying on both TOCOM and NYMEX accelerated. The price had moved back over \$1,020 by the close of trading on the 12<sup>th</sup>, reached \$1,029 on the 13<sup>th</sup>, and then soared to \$1,049 at the afternoon fixing on the 16<sup>th</sup> as gold pushed above \$560, surpassing the previous record high of \$1,047.50 that was set back in March 1980. In contrast to the speculative buying, however, demand for platinum from the jewellery sector dwindled, with daily turnover on the Shanghai Gold Exchange falling to around 20 kg.

Another brief round of profit-taking resulted in platinum easing to \$1,025 on the 18<sup>th</sup> but the price rapidly recovered, trading between \$1,039 and \$1,045 from the 19<sup>th</sup> to the 24<sup>th</sup>.

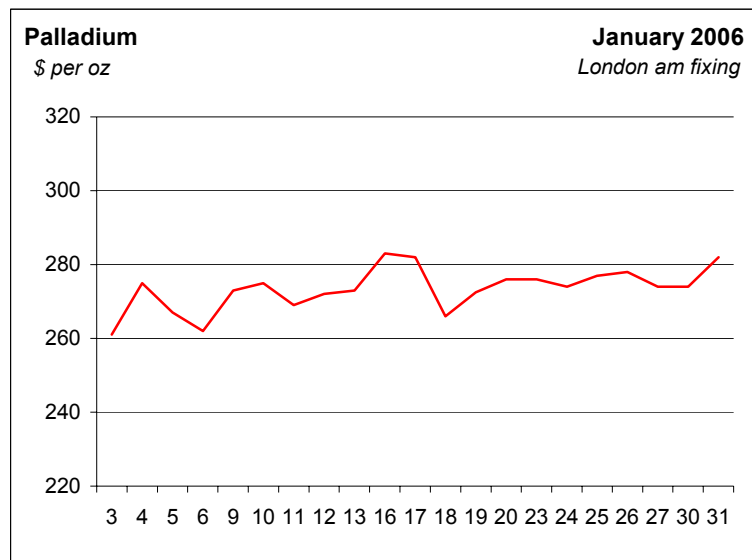
A sharp move lower in the value of the yen against the dollar on the 25<sup>th</sup> then provided the impetus for another burst of buying by TOCOM investors. The December 2006 contract moved above ¥3,900 and the price of spot metal followed the futures market upwards, platinum fixing at \$1,056 then \$1,058 in London. The pattern was repeated the following morning, the far-dated TOCOM contract rising to ¥3,995 and platinum fixing at \$1,061.

The rally then paused until the 30<sup>th</sup>, when speculative buying on TOCOM pushed the December 2006 contract well above the ¥4,000 level during heavy trading (contracts equivalent to more than 1 million oz changing hands). Platinum jumped to \$1,065 then \$1,073 at the day's fixings and remained strongly supported by fund buying on the 31<sup>st</sup>, setting a new high of \$1,074. Over the course of the month the net speculative position on TOCOM increased from around 625,000 oz to over 800,000 oz, whilst the fund position on NYMEX climbed by around 90,000 oz to 406,000 oz net long.

| Platinum fixing prices – January 2006 |          |        |          |
|---------------------------------------|----------|--------|----------|
|                                       | High     | Low    | Average  |
| \$ per oz                             | 1,074.00 | 982.00 | 1,029.02 |
| £ per oz                              | 605.40   | 562.40 | 581.90   |
| € per oz                              | 887.44   | 813.99 | 848.63   |

## PALLADIUM

**Price breaks out of \$260 to \$280 range at month end on fund buying**



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**C**ompared with platinum and gold, the price of palladium remained relatively steady throughout much of January. Apart from a brief foray to \$287 in mid-month, palladium moved between \$260 and \$280 all the way through to the 30<sup>th</sup>, in line with modest changes in fund positions. On the 31<sup>st</sup>, however, a sudden upturn in speculative buying pushed the price up to \$290.

The palladium market started 2006 firmly: opening offers in London around \$262 were followed by fixings of \$261 and \$265 on the 3<sup>rd</sup>, up from \$258 at the close of 2005. Further good demand for metal in Europe followed on the 4<sup>th</sup>, some of which was attributed to speculative buying, and the price tracked platinum upwards to fix at \$275. Palladium dipped back to \$261 on the 5<sup>th</sup> but recovered ground over the next two days and then traded steadily between \$269 and \$275 through to the 13<sup>th</sup>.

| Palladium fixing prices – January 2006 |        |        |         |
|--|--------|--------|---------|
|  | High   | Low    | Average |
| \$ per oz                              | 290.00 | 261.00 | 273.55  |
| £ per oz                               | 163.70 | 148.70 | 154.78  |
| € per oz                               | 239.85 | 214.85 | 225.86  |

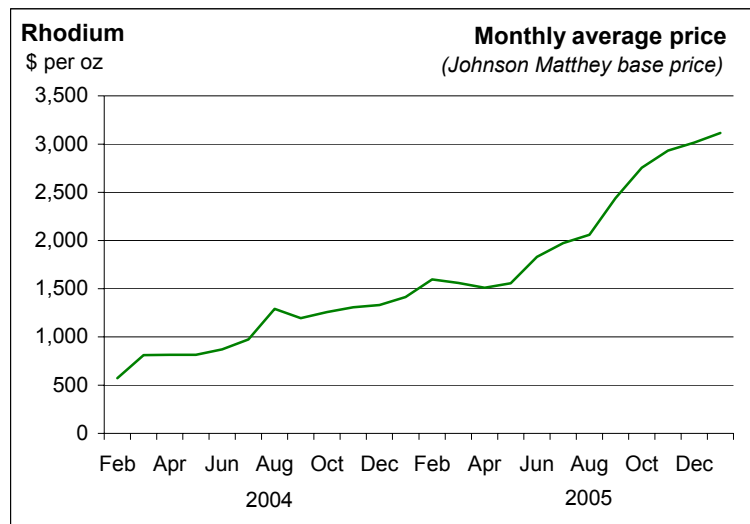
The strong rally in the platinum price to a new high of \$1,049 on the 16<sup>th</sup> had a knock-on effect on palladium – the price jumped to fix at \$287 that afternoon and closed at \$289 in New York on the back of increased fund buying. At that point the net speculative position on NYMEX was in excess of 865,000 oz, up from just over 820,000 oz a week earlier.

The price of palladium continued to take direction from the platinum market over the next few days, dipping to \$266 before recovering to \$278 on the 20<sup>th</sup>. Unlike platinum, however, palladium then traded in a very narrow range all the way through to the 30<sup>th</sup>, with good offers of metal holding the price below \$280.

The situation changed markedly on the final day of the month as a surge of fund buying came into the market – perhaps not surprising given the strength of the other precious metals prices, with platinum setting another record high of \$1,074 and gold offers pushing above \$570. The speculative buying propelled palladium up to \$290 at the afternoon fixing and to \$295 offered by the close of trading in the USA, with the speed of the move suggesting an element of short-covering was contributing to the rise.

## OTHER PGM

### Rhodium price forced up to \$3,400 by lack of offers



**A**fter having seen the price soften a little in late December, rhodium users would have been disappointed to see the market resume its upward trend in January. Dealers had little metal to offer, and with demand remaining strong the Johnson Matthey base price climbed rapidly from \$3,000 at the start of the month to hit \$3,400 on the 31<sup>st</sup>.

Ruthenium and iridium prices also pushed higher in January as industrial demand for both metals remained firm. The JM base price for ruthenium moved up from \$87 to \$90, whilst iridium added \$10 to reach \$205.